

# The new vocational currency: *investing for success*

Research report





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# 1. Foreword

Every year millions of people holiday in the UK and Europe. Many sights and cities are famed for the thousands of people who visit them every day. They come to marvel at what some people consider to be the greatest works of art ever created: the great Gothic cathedrals such as those in Chartres in France or York Minster; or the jewels of the Renaissance such as the Sistine Chapel in Rome or the works of art in the Uffizi, Florence.

Few of them will stop to think about how the geniuses who created these masterpieces became skilled enough to produce them: they will more likely move on to the next sight or the next work of art. However, those who do stop for a moment may think it was all down to raw talent. In fact, the creators of these iconic monuments and paintings all learned their trades 'on the job' apprenticed to older, more experienced artists, sculptors, architects or stonemasons. Theirs was a time when vocational training really did change the world forever.

With the rise of the cathedrals came the birth of the universities and schools more generally. The earliest universities were developed to provide a solid education to the elite of society: the clergy, nobility and the royal administrators, the people tasked with managing the growing populations and legislation of the Middle Ages. The majority of people were illiterate and innumerate and had no formal teaching at all. Thankfully times have changed, and in many countries education has become a right and universities are an achievable target for many more people. But what of vocational training: is this still a sought-after route for individuals to make their mark on the world? And what about management, how is that impacting on the productivity and performance of the UK economy?

Internationally the picture is mixed: Germany, for example, is renowned for the strength of its technical and practical training and the vocational route into work carries much esteem. In the UK this is still not the case, despite much government rhetoric and policy shifts in the past 50 years. The US and Japan are held in

high esteem for the time and resource they spend in developing and producing high quality managers. When it comes to vocational training things in the UK may be changing, I believe for the better, with such initiatives as free schools, university technical colleges and the unrelenting focus on promoting and improving Apprenticeships. The story for leadership and management is, arguably, less positive, with the UK lagging behind when it comes to investing in these crucial skills. Our report looks at vocational qualifications – what people think of them, what employers want from them and what the content of them is – as well as leadership and management skills.

I believe even more can, indeed should, be done to break down the barriers – whether they involve perception, quality or content – between the academic and vocational routes into work. It is only when this happens that we will see the rise in productivity the UK needs to emerge from the current economic downturn with real strength to grow the economy and improve people's lives. If vocational training was right for Leonardo da Vinci, it is right for anyone and everyone.



Sarah Jones,  
CEO, **learndirect**

# 2. Introduction

The education and skills sector in the UK is in an almost constant cycle of change. Ever since the emergence of a state system of education in the 1800s there have been major shifts: for example, the introduction of the comprehensive school system and the recent focus on improving Apprenticeships. Often this is due to policy shifts as a result of changes in the political make up of government. Underlying these changes in many cases are differing views on the extent, and particularly, the value, of vocational, as opposed to academic, qualifications. This debate encompasses a range of themes: when young people should make a choice on which qualifications to concentrate on; what vocational training should be available through schools; what sort of institutions should be in place to deliver vocational training; what should be studied as part of vocational qualifications; and how to monitor the quality and effectiveness of such programmes.

We recently published an investigation of UK skills and, in particular, skills development in young people in our report *Nurturing talent: building the workforce of the future* – focusing on: individuals in the 16-24 year old age bracket; the attitudes of employers towards employing these people; and the role of Apprenticeships in developing the skills they need. In this report we continue our focus on the development of the skills employers need in their workforce. Here, we specifically look at the development of skills at an intermediate level and the value of intermediate (levels 3 and 4 – see appendix for more detail) vocational qualifications to both individuals and employers, as well as shine a spotlight on one area of skills where it has been suggested the UK lacks behind competitor economies – leadership and management.

Some attention has been paid in past research to the existence of skills shortages and skills gaps within the UK workforce. For example, UKCES (2010c) suggested that, while skills shortages were relatively small across England (existing in around 3 per cent of establishments), they are particularly predominant in areas such as health and social work, with a third of needs identified in these sectors. The discrepancy in skills in the care sector is likely to continue as the demand for childcare increases (up by almost 40 per cent in the last decade) and the ageing population leads to more elderly people needing support.

In addition to the deficit of skills within the labour market, skills gaps are also becoming a problem in some sectors. These occur when employees are not sufficiently proficient to undertake their jobs. They now affect one in five employers, representing around 7 per cent of the employed workforce. Most commonly, these gaps occur in technical or professional areas: this is the case in more than 50 per cent of organisations citing gaps. They are highest in financial services, education, manufacturing, mining/quarrying and agriculture. The most frequently reported skills issues are in customer handling, team working and verbal communication skills. This suggests they are likely to become more significant within customer facing sectors such as retail and hospitality.

The UKCES (2010c) report lists a number of high priority skills needs including corporate managers, particularly in sectors such as retail, business services/computing/digital media, financial and professional services, health and social care, education, public administration and hospitality. The apparent existence of skills shortages, but more importantly skills gaps, within the UK labour market suggests a need for the continued development of the workforce. This is essential if organisations are going to have the skills they need for employees to operate successfully and for individuals to progress in their careers. Due to this need, this

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report focuses on intermediate rather than lower vocational qualifications, specifically qualifications at levels 3 and 4. We take an in-depth look at these issues in Part I, also touching on the experiences of other countries. One characteristic of vocational qualifications at levels 3 and 4 is they often include an element of leadership and management training. As leadership and management is a discipline often described as lacking within the UK workforce, we will also focus on the need for development of these skills in Part II. Finally we conclude with some recommendations which **learnirect** believes will enhance and improve vocational qualifications in the UK and ultimately, improve the country's skills base.

## Our supporting evidence

In order to look at the perception of vocational qualifications and leadership and management skills, we will draw on two sources of data: first we have reviewed the existing evidence in these areas; and second, we will use survey data collected by YouGov from 554 senior decision makers in British private sector organisations, and from 1,376 employees of private, public and non-profit sector organisations. The survey was conducted online. Fieldwork was undertaken between 13 and 17 May. The respondents from both employers (see figures 1 and 2) and employees (see figures 3 and 4) came from a range of industries and from across the UK.

### Characteristics of employee sample

Figure 1: Responding employers by industry

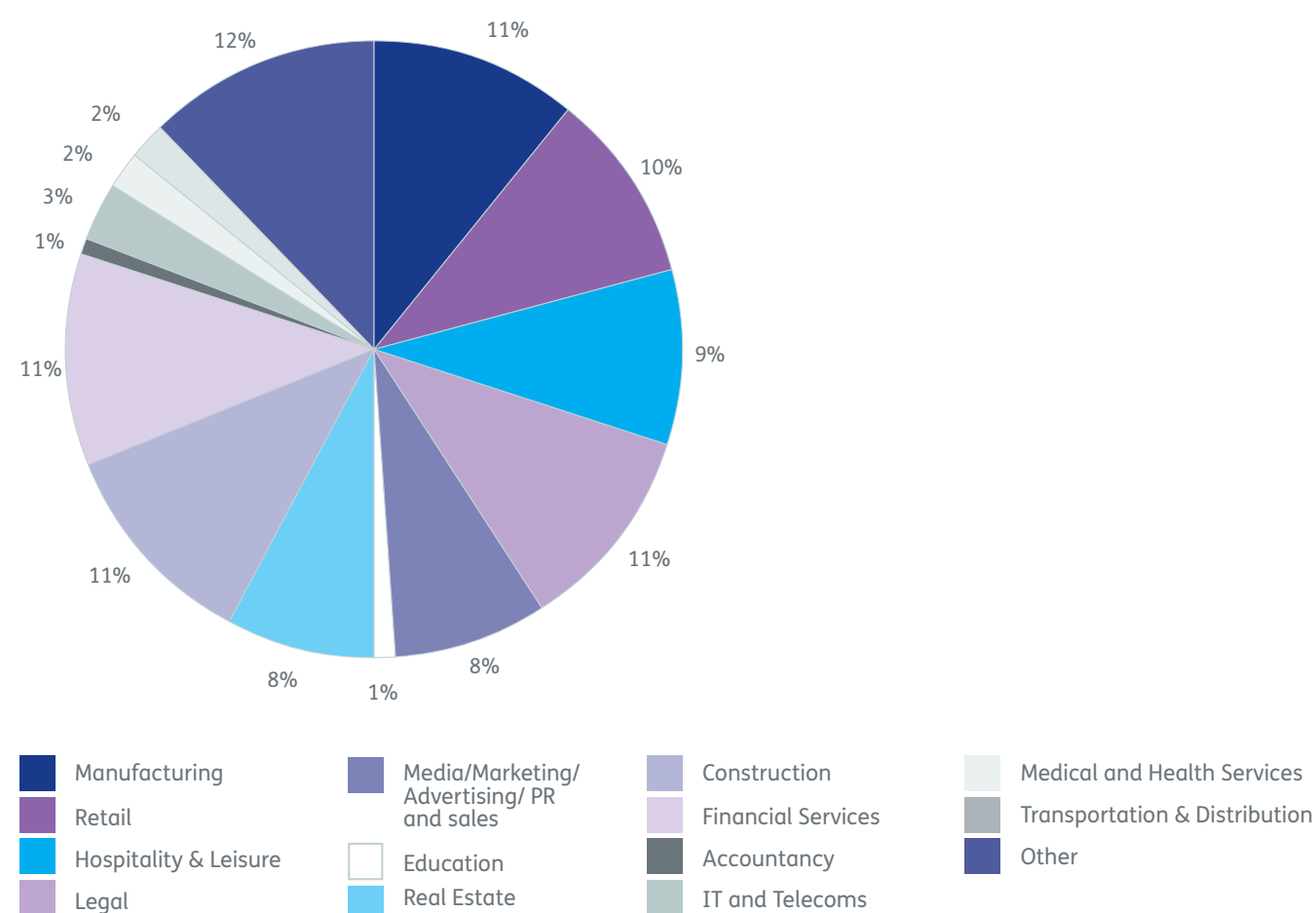
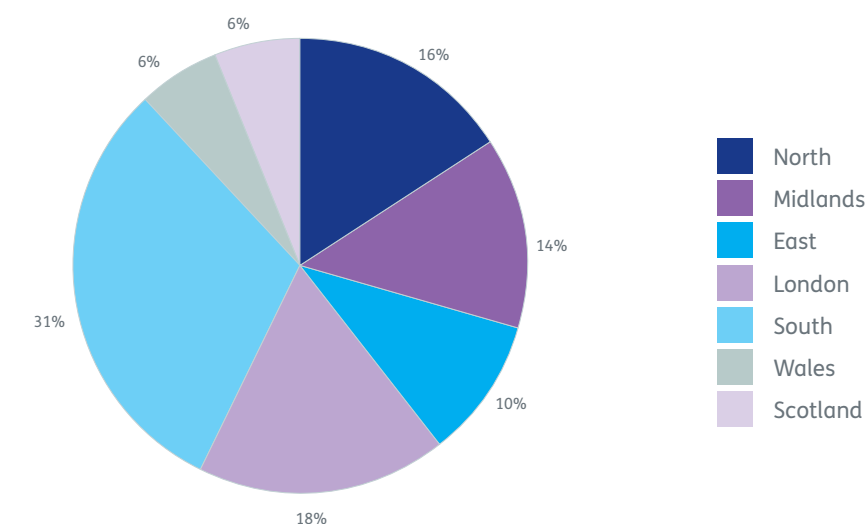


Figure 2: Responding employers by region



### Characteristics of employee sample

Figure 3: Responding employees by sector

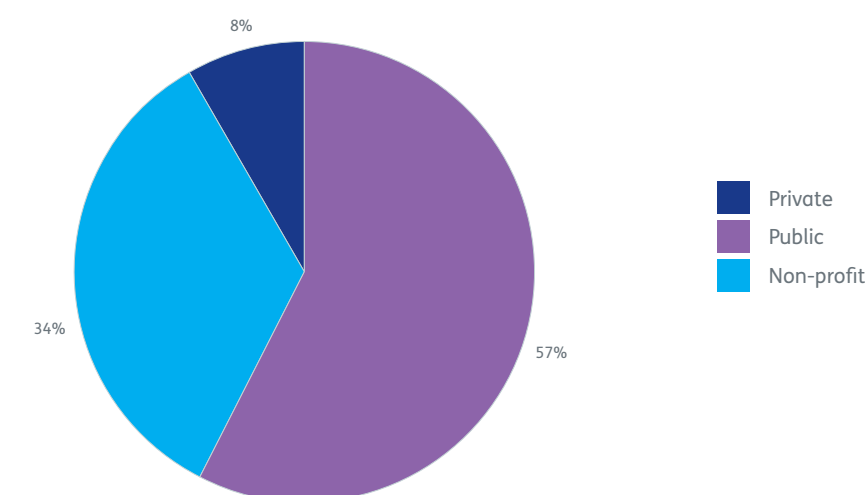
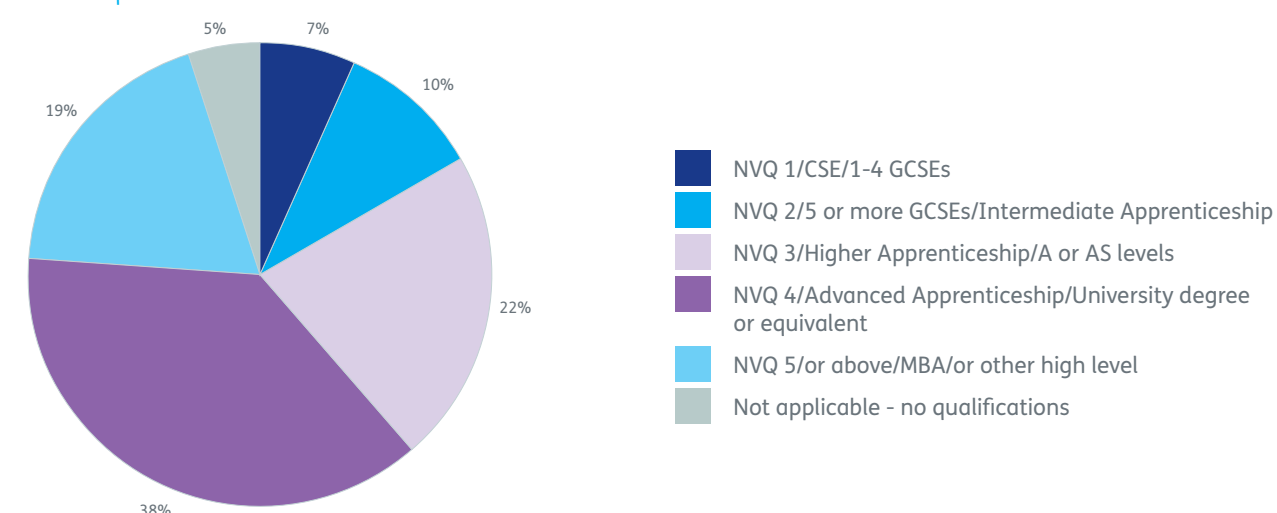


Figure 4: Responding employees by highest level of qualification held



#### Note:

- Of the employees who responded 50 per cent had some management responsibility in their jobs, whilst 50 per cent did not
- The employee data in the analyses below has been weighted by YouGov in order to be representative of the working population



# 3. Part I – Why vocational training?

## View from employers

In order to examine the views of employers it is important to first understand the level to which employers currently provide training that leads to a vocational qualification. Shury, Vivian, Gore, Huckle and Belt (2012), reporting on the UK Commission's Employer Perspectives Survey, suggested of those employers who had provided any training to their employees in the past year, 38 per cent had arranged training leading to a vocational qualification. This was more likely in establishments which planned training (41 per cent) and in larger organisations (72 per cent). Vocational training was most likely to be the NVQ (67 per cent) or Apprenticeships (25 per cent).

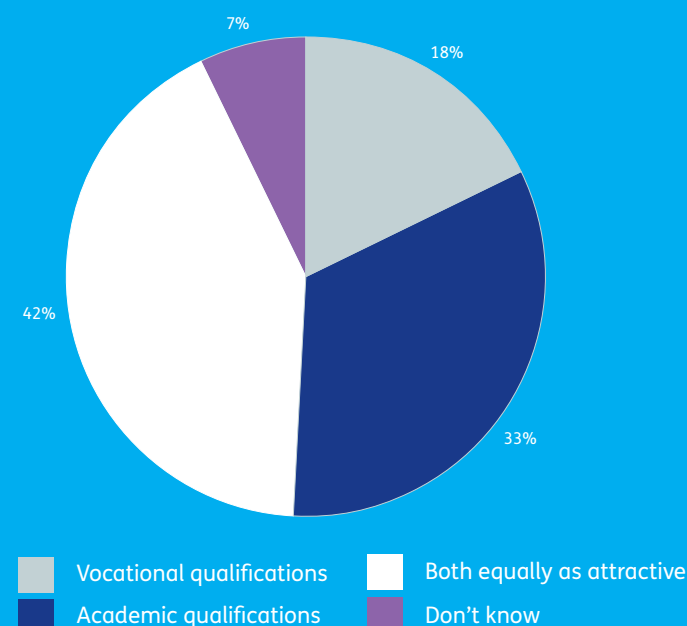
Most of the evidence suggests employers are generally positive about vocational qualifications. For example, Shury et al (2012) found most employers were very positive about the flexibility of vocational qualifications in meeting their organisational needs. The proportion of employers who were positive has increased since 2010, probably because of the changes to vocational qualifications to make them more flexible and better suited to employers' needs. Specifically, most employers agreed vocational qualifications could be adapted to business needs (85 per cent), offered good value for money (45 per cent), allowed staff to work flexibly and at their own pace (37 per cent), covered all of the skills needed (35 per cent) and did not require much time away from the job (32 per cent). The proportion of employers agreeing with each of these statements has risen since 2010. Employers were also positive about the impact on employees, suggesting vocational qualifications led to: an increase in knowledge and understanding (72 per cent); the development of new skills (66 per cent); reliable standards of competence (60 per cent); better business performance (54 per cent) and improved staff retention (46 per cent).

Research by the CMI (2007) showed nearly two thirds of employers valued NVQs and SVQs as well as academic qualifications in management. Academic qualifications were generally rated more highly than vocational qualifications. However, NVQ and SVQ management qualifications were seen as improving productivity (59 per cent), the ability to attract

staff (58 per cent) and the professional reputation of the organisation (57 per cent).

We asked the employers responding to our survey whether they valued academic or vocational qualifications more within their organisations (see figure 5). The results show 42 per cent viewed academic and vocational qualifications as equally as attractive, while a third (33 per cent) saw academic qualifications as being more attractive. These proportions are similar to those found for employees' perceptions of employers' views. However, just under a fifth of employers (18 per cent) assess vocational qualifications as being more attractive than academic qualifications.

Figure 5: Responding employees by highest level of qualification held



Little evidence could be found about the actual value of level 3 qualifications to employers. However, McIntosh (2007) undertook a cost-benefit analysis of Modern Apprenticeships and concluded the cost of such programmes are easily offset by the productivity benefits of training apprentices and the net present value of Modern Apprenticeships at level 2 and 3 were larger than for any other vocational qualification. McIntosh therefore concluded apprentices (including level 3) appear to add value and to be cost effective for employers. Specifically, McIntosh calculated a level 3 Apprenticeship had a 13 per cent internal rate of return over and above that of level 2.

A number of barriers to offering vocational qualifications exist for employers. For example, Shury et al (2012) found that the most commonly mentioned barrier to offering vocational qualifications was a perception employees did not want them (30 per cent). Employers also suggested a lack of knowledge about vocational qualifications (28 per cent), lack of government funding (25 per cent), a feeling they are too expensive to deliver (22 per cent), too complicated (19 per cent), too bureaucratic (20 per cent) and take too long to deliver (20 per cent). Twenty-two percent of employers also felt there was not a need for vocational qualifications, while 19 per cent believed vocational qualifications did not cover their particular industry.

## Views from employees

In order to establish the attitudes of individual employees towards vocational qualifications, it is first important to understand their motivation in undertaking qualifications. The Department for Business Innovation and Skills (BIS) examined motivations for Further Education (FE) using both qualitative research and a survey of 405 individuals (2012). This research identified four main motivations for undertaking FE:

1. To move into a new career: over half of the survey respondents said that this was why they had taken a previous course (57 per cent), were currently on a course (59 per cent) or were considering further learning (65 per cent).
2. To progress in the chosen (current) career: this group were undertaking education in order to advance in their current career.
3. As a route into the labour market for those not currently in employment and so to improve job prospects.
4. Consolidation of a current position and skills in order to improve performance and therefore increase job security.

Respondents to the BIS (2012) survey were also motivated to undertake FE in order to improve self-confidence, to be a positive role-model to their children, or to gain a qualification.

Our survey asked employees whether they agreed making a personal investment in further qualifications would be good for their career, whether they felt they would make faster progress in their careers if they achieved a qualification at the next level and if they felt they were being held back by their current level of qualification (see figures 6, 7 and 8). The results show similar proportions agreed and disagreed that making a personal investment in further qualifications would be good for their career. However, only 26 per cent of employees agreed that if they were to achieve a qualification at the next level up then they would make faster progress in their career, and only 14 per cent agreed their current qualification level was holding them back in their career. This might suggest most employees do not see the value of further qualifications. However, it might also reflect the fact many of the respondents to this survey already had qualifications at level 3 or above and more than half (52 per cent) had qualifications at level 4 or above – a reflection of the fact we spoke to people in work as opposed to those unemployed.

Figure 6: Proportion of employees agreeing or disagreeing with the statement “making a personal investment in further qualifications would be good for my career”

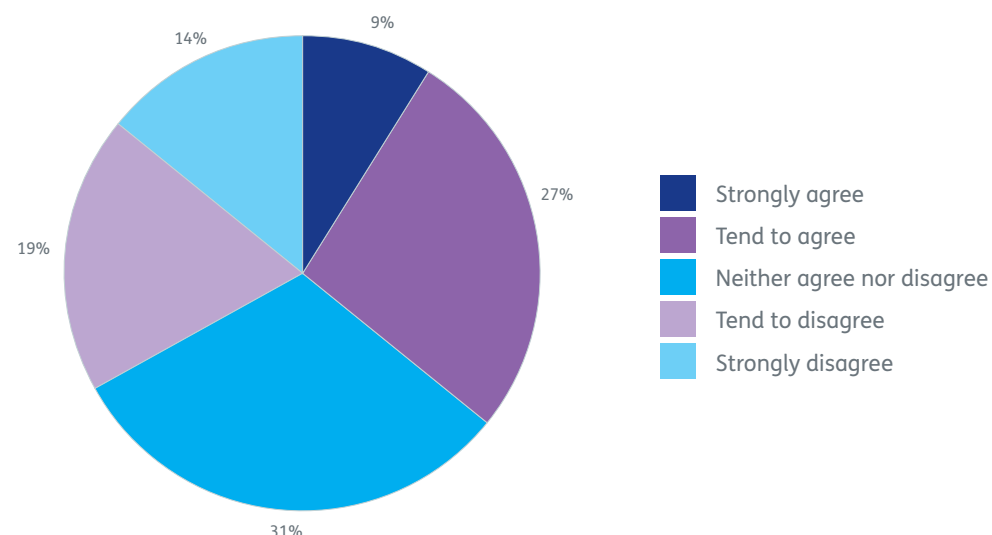


Figure 7: Proportion of employees agreeing or disagreeing with the statement “If I were to achieve a qualification at the next level up I would make faster progress in my career”

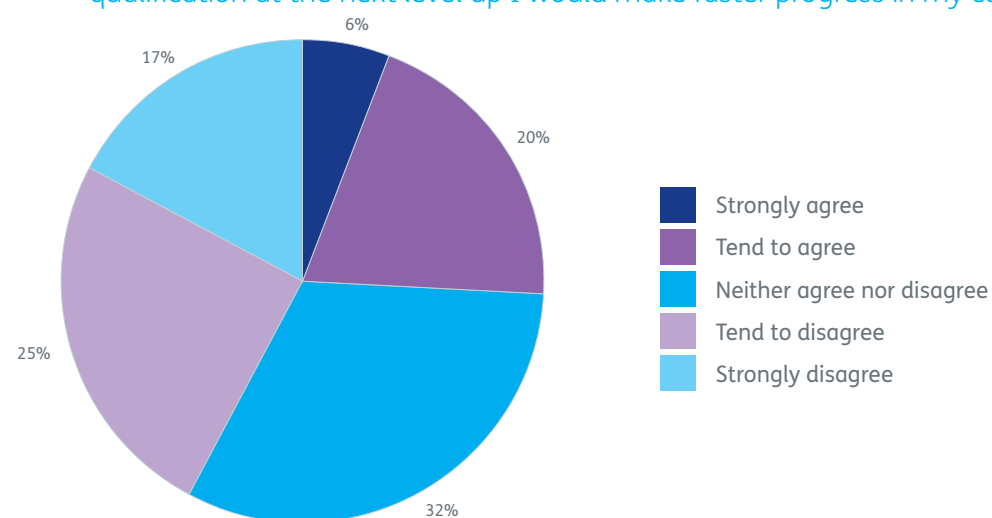
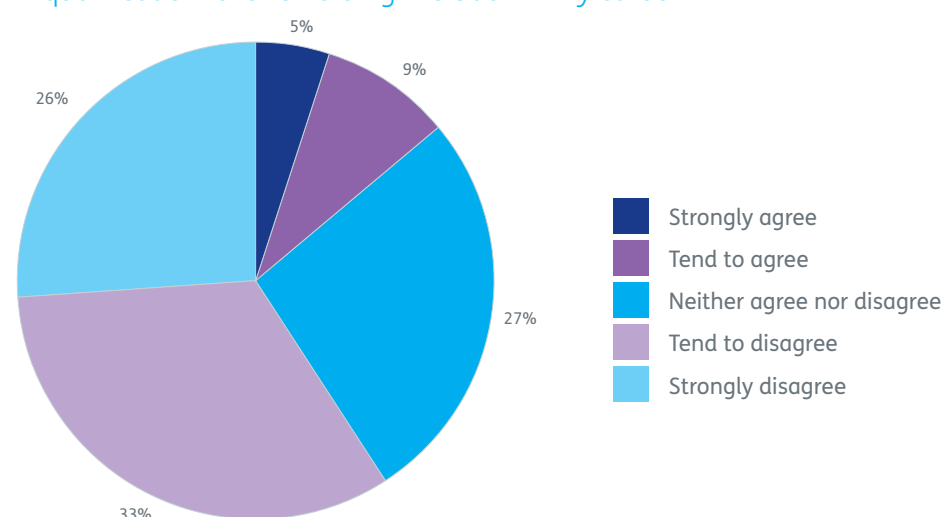


Figure 8: Proportion of employees agreeing or disagreeing with the statement “I feel my current qualification level is holding me back in my career”



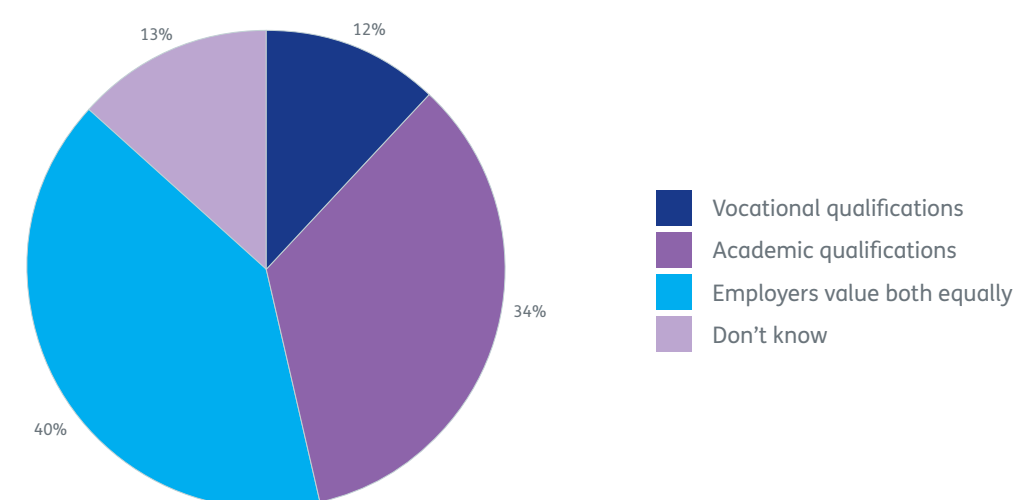
A number of studies have examined the advantages undertaking vocational qualifications can provide to individuals. For example, Shury et al (2012) found the majority of employers reward at least some employees when they achieve a vocational qualification, usually in the form of a pay rise, rather than a promotion or improved job status.

Shury et al found 17 per cent of employers said the attainment of a vocational qualification always led to a pay rise, while 8 per cent said it always led to promotion or improved job status. ICM (2013) interviewed 500 recruitment decision-makers about their attitudes towards apprentices. The study found that while higher apprentices (with a degree level qualification and relevant work experience) were seen as most employable (7.98 on a 10-point scale compared to 7.58 for university graduates), former apprentices with a level 3 qualification plus at least 12 months additional relevant work experience (after the completion of their qualification) were also seen as very employable, scoring 7.24. A level 3 apprentice with no additional work experience was scored 6.63 compared to a school leaver with A levels with 6.28. School leavers with GCSEs were seen as least employable (5.14).

This study suggests vocational qualifications might actually be seen as more useful than an academic qualification at level 3 (A levels), particularly when consolidated through work experience. However, other research has contradicted this finding. CMI (2007) surveyed managers and found academic qualifications were rated more highly than vocational management qualifications in terms of their perceived earning potential. However, 39 per cent of individuals responding to this questionnaire felt an NVQ or SVQ would generally improve their earning potential. In addition, respondents felt an NVQ/SVQ would provide greater employability (60 per cent) and an increased ability to deliver results (57 per cent).

Employees who responded to our survey were asked for their perceptions of which types of qualifications were valued more greatly by employers. Forty per cent said both vocational and academic qualifications were valued equally by employers, while almost as many (34 per cent) felt academic qualifications were valued more highly. Only 12 per cent thought vocational qualifications were seen as more valuable by employers than academic qualifications (see figure 9). This picture was similar across the UK.

Figure 9: Perceived value of types of qualifications



A number of studies have attempted to quantify the impact of vocational qualifications on both earnings and employment. For example, Greenwood, Jenkins and Vignoles (2007) examined the wage returns of both level 2 and level 3 qualifications. We will focus here on level 3. Greenwood et al considered the wages of those with a level 3 qualification and identified an average wage return (i.e. the economic value of level 3 among all those who have a level 3 qualification) of just under 5 per cent for women and 3 per cent for men. Marginal wage returns for level 3 qualifications (the returns for those with level 3 as their highest qualification) were 10 per cent for women and 13 per cent for men. It is important to note the exact magnitude of the wage returns varied by gender, occupation and sector. For men, positive wage returns for a level 3 qualification were only found in skilled occupations (10 per cent) and for process and machine operatives (7 per cent). For women, a level 3 qualification provided a positive marginal and average return for those in process/machine jobs (18 per cent), sales/customer services (12 per cent), personal services (12 per cent) and administrative/secretarial occupations (5 per cent).

Greenwood et al also looked at employment returns and found some evidence, for those individuals who were already economically active, that a level 3 qualification was associated with a higher probability of being in employment. This was estimated as 2.3 per cent for men and 1.8 per cent for women.

In a later analysis, BIS (2011b) suggested what the wage premiums (the percentage by which an individual's wages rise as a result of having a specific qualification) for level 3 might be (see table 1 below). So, for example, an individual obtaining a level 3 Apprenticeship whose previous highest qualification was at level 2 would expect their wages to rise by an average of 18 per cent.

Table 1: Wage premiums (per cent) for level 3 qualifications (adapted from BIS, 2011b)

Provision type	Previous highest qualification		
	None	L1	L2
Apprenticeship L3	18	18	18
Work based NVQ L3	15	15	15
Provider based NVQ L3	11	11	11

BIS (2011b) also summarised the employment premiums in a similar way (see table 2 below). This represents the percentage by which an individual was more likely to be in employment as a result of having the qualification over their last highest qualification. For example, those who previously had a level 2 qualification were 1.05 per cent more likely to be in employment after obtaining a level 3 qualification. A small but significant outcome in these difficult economic times.

Table 2: Employment premiums for level 3 qualifications (adapted from BIS, 2011b)  
Previous highest qualification

Provision type	Previous highest qualification	
	L1 or lower	L2
Apprenticeship L3	3.8	1.05
Work based NVQ L3	3.8	1.05
Provider based NVQ L3	7.7	2.1

More recently, BIS (2013) undertook another study looking at the earnings, employment and benefits premiums for studying for vocational qualifications at different levels. For full level 3 qualifications it estimated an earnings premium of 11 per cent in the first year after the learning spell to 11.1 percent in the fourth year. With regard to employment premiums, those with a level 2 qualification were 3.4 per cent more likely to be seen in employment four weeks after a learning spell than those who have not achieved level 2. However, there was no difference in employment for those with and without a level 3 qualification (over level 2).

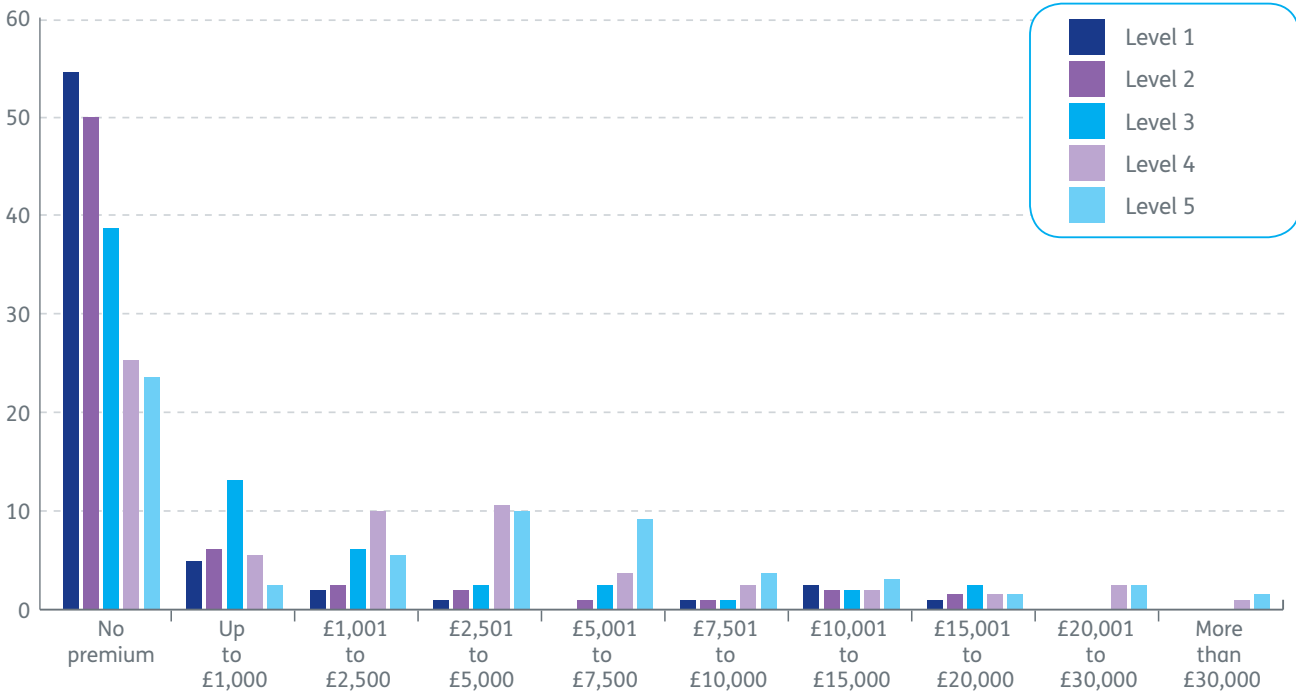
BIS (2013b) also looked at the earnings and employment returns of vocational qualifications and concluded the average hourly earnings associated with vocational attainment at level 1 and 2 ranged between 2.5 per cent and 5 per cent in contrast to non completers. At level 3, although there was a relatively limited earnings return in the first two/three years after completion, the earnings premium increases

relatively quickly in subsequent years. Similarly, those who have completed a level 4 qualification achieve an immediate 4 per cent earnings premium compared to those without this qualification but this increased to almost 12 per cent seven years after completion.

These earnings premiums vary across qualifications, with a level 3 City and Guilds being associated with about a 6 per cent earnings premium across the time period, whereas NVQs offer a relatively low return immediately after completion, although this rises significantly over time. For level 3 the return on an NVQ is 2.8 per cent immediately after completion, rising to 15 per cent after seven years.

We asked employers whether they offered a premium for employees with qualifications. We can see from figure 10 that when a premium is paid this rises in accordance with the level of the qualification an employee holds.

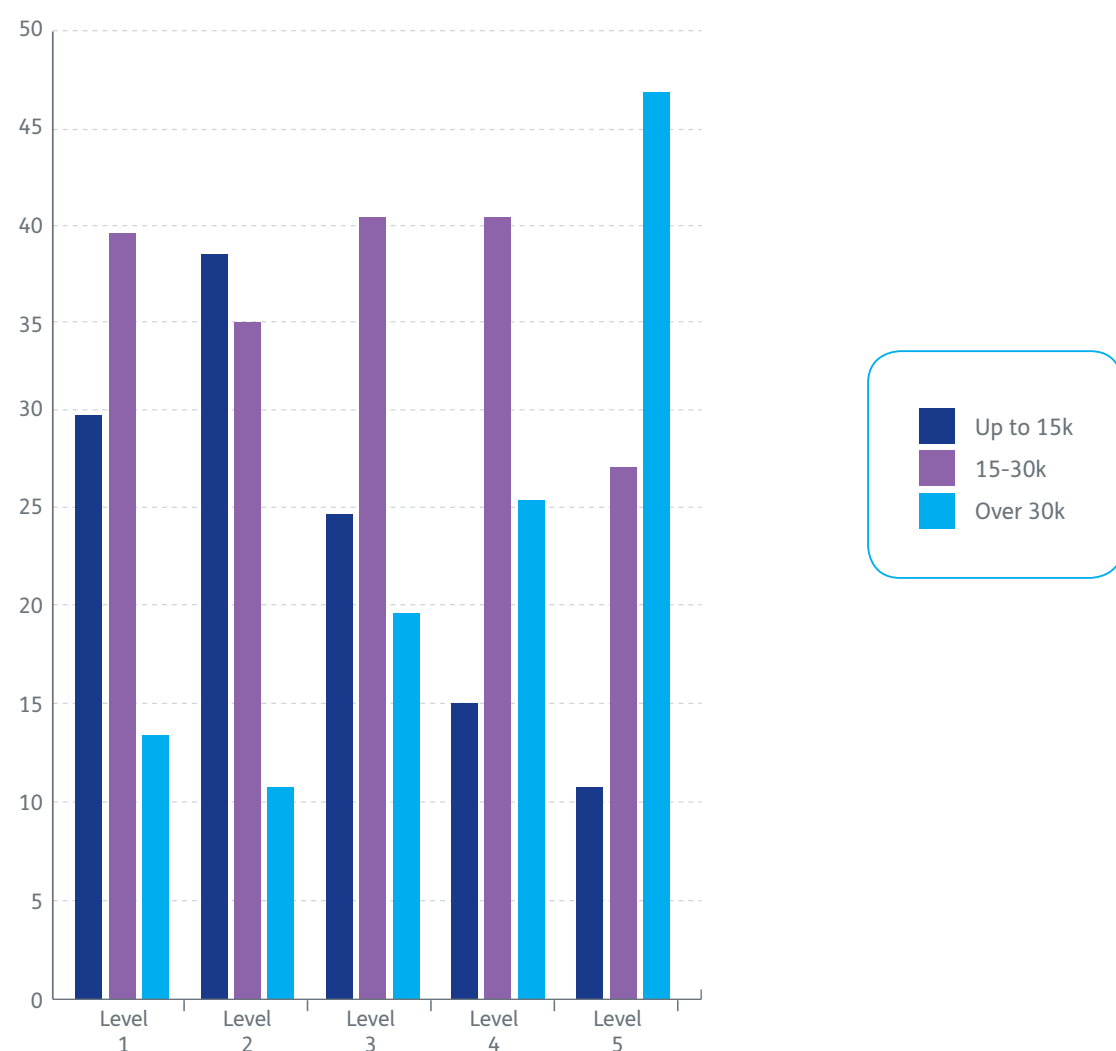
Figure 10: Premium paid for candidate with qualifications by level





Our survey research also suggested there might be an interesting link between salary levels and qualification levels. Even taking age into account, those employees in our sample with a higher level of qualification earned a higher salary (see figure 11).

Figure 11: Salary level by qualification level (per cent)



BIS (2013b) also found relatively strong employment effects across levels – at level 3, completers were estimated to be employed approximately 2.2 per cent more in the first year after completion rising to 5.1 per cent after seven years. Interestingly, BIS (2013b) found there were greater returns associated with completion of vocational qualifications when they were completed through the workplace rather than the classroom. Individuals completing level 3 in the classroom did not receive an earnings premium until four years post-completion, whereas those completing level 3 in the workplace obtained a 7-8 per cent earnings premium in the three years post-completion. These premiums rose to approximately 17 per cent in the sixth and seventh year post-qualification. A similar pattern occurred for employment outcomes – those who complete level 3 qualifications through the workplace spend 4.5-6.5 per cent more of the year in employment compared to 2-5.5 per cent of those obtaining qualifications in the classroom.

It is worth noting, despite the evidence for the advantages of vocational qualifications for individuals, there are also a number of barriers individuals face when seeking additional training. BIS (2012) found the most significant barrier to undertaking FE was cost, specifically the cost of course fees (75 per cent), the cost of living while studying (33 per cent) and the cost of transport to get to a course (18 per cent).

The introduction of loans to enable learning might be one way individuals can overcome these cost barriers. In July 2012 regulations were put before parliament to allow adults over 24 to benefit from loans to pay fees in FE. BIS (2012) also asked its respondents about the introduction of loans to enable learning and found 58 per cent of those likely to take a course at level 3 said they might take out a loan to do so.

## Other countries' experiences

Vocational Education and Training (VET) is designed to fill the gap by providing the skills needed, and research from OECD (2010) has shown it can yield good economic returns from the public investment involved. Countries with strong initial VET systems, like Germany – where 60 per cent of young people undertake a vocational programme at upper secondary level – have been relatively successful in tackling youth unemployment, with data showing 20-24 year olds only slightly more likely to be unemployed than older workers, suggesting that young people have fewer problems obtaining their first jobs than in many other countries.

Research by CEDEFOP found in Sweden, the main outcomes of VET programmes include a higher rate of labour-market participation coupled with lower unemployment. In Germany the principal labour-market outcome of VET is intertwined with social benefit: it creates a sense of stability among workers facing fierce competition. Practice-based and on-the-job learning company orientations do not only shape professional aptitudes but also social and personal abilities necessary for individual growth.





## 4. Part II – Management: the missing piece of the jigsaw?

### The need for management and leadership skills

Having discussed attitudes towards level 3 qualifications in general, we will now move on to examine a set of skills which are commonly an element of level 3 training – leadership and management skills. The need for these skills within the UK is rising. UKCES (2010) suggested UK employers will need to have identified, recruited and developed an additional 2.2 million new managers between 2007-2017 in order to both replace the 1.3 million people retiring and to manage the increasing number of employees. Despite this need, the evidence points to the conclusion there is currently a lack of leadership and management skills within the UK.

BIS (2012b) focused on the business benefits of good leadership and management stating research has shown: ineffective management is estimated to be costing UK businesses over £19million per year in lost working hours; 43 per cent of UK managers rate their own line manager as ineffective and only a fifth are qualified; and almost three quarters of organisations in England reported a deficit of management and leadership skills in 2012 – contributing to the productivity gap between the UK and other countries such as Japan, the US and Germany.

BIS (2012b) suggested UK managers are significantly less well qualified and have substantial skills gaps caused by low levels of training, shortages of key skills and the failure to apply skills strategically. Similarly, a survey of 750 organisations from the Institute of Leadership and Management (ILM) (2013) found a lack of leadership and management skills was impacting 93 per cent of UK businesses. The research found most organisations lack a functional talent pipeline and are therefore failing to enable the development and flow of management capability. Only 57 per cent of employers had a plan in place to ensure they have a pool of suitably qualified managers and leaders. The report suggested UK organisations are reliant on external recruitment for managers, with only 55 per cent of managerial vacancies filled internally – this decreases the

higher the level: 61 per cent at line management level, 58 per cent for middle managers and 50 per cent for senior managers. Forty-seven per cent of employers cited a lack of internal staff capability as the biggest barrier to ensuring an effective pipeline of leaders and managers. This is partly because frontline managers tend to be recruited based on their technical, rather than leadership, skills. Frontline managers receive very little training – only 18 per cent of employers expect frontline managers to be trained before being offered a management position.

Indeed, the perception of leadership and management skills as a skills gap within organisations appears to be overwhelmingly prevalent in research. For example, McBain et al (2012) conducted a survey of 4,496 managers and found around 43 per cent of managers reported their line manager was ineffective or highly ineffective and concluded there was “considerable scope for improving the effectiveness of UK management” (p. 8). CIPD’s (2012) Employee Outlook report found three-quarters of employers reported a lack of leadership and management skills in their organisation. The report also suggested managers had an inflated sense of their own abilities with 8 out of 10 managers saying their staff were satisfied with the way they managed compared to only 58 per cent of employees. BIS (2011) found some evidence

the quality of management practice generally has improved over time, but noted the quality of UK management was still constrained by a lack of management skills. More specifically, ETS (2012) surveyed employees in more than 40 organisations over 2008, 2010 and 2012 and found a growing number of employees reported feeling undervalued by their managers. Specifically managers appeared to be failing to properly support and encourage their teams or to show appreciation for the efforts of direct reports.

Most commentators appear to agree with the above suggestion from the ILM (2013): the lack of management skills is due to a lack of development of such skills by employers. For instance, a McKinsey survey (2010) found most companies do not offer sufficient training for frontline managers. The survey showed senior executives and non-executive managers were unhappy with the performance of their company’s frontline managers and inadequate training was one reason behind this. Almost 70 per cent of senior executives were only somewhat happy or not at all happy with the performance of their company’s frontline managers. While frontline employees receive extensive training and development, their managers, who have no experience leading others, do not. Research from the CMI (2007) also showed managers were significantly under-

qualified compared to other professional occupations. Forty-one per cent of managers held qualifications below level 2 with only 38.5 per cent qualified at level 4 and above. CMI estimated, at the current rate of achievement, no more than 20 per cent of managers would obtain a management qualification in the long run. On a broader level, UKCES (2010) suggested the UK lags behind its global competitors in investment in leadership and management skills. Germany’s annual public investment in training is 4,438 Euros per annum per manager compared to the UK’s 1,625 Euros. Several other countries such as Spain, France, Norway and Denmark also spend more on manager training than the UK. More specifically, the CIPD (2009) suggested too few employers invest in people management training for their managers.

We asked the employers for their opinions of the availability of leadership and management skills within the UK (see figures 12 and 13). Almost two-thirds of respondents (64 per cent) agreed weaknesses in leadership and management skills in the UK were holding back company growth, while only 10 per cent disagreed with this statement. More than two thirds (69 per cent) agreed weaknesses in leadership and management skills were preventing employees from reaching their full potential, with just 7 per cent disagreeing.

Figure 12: Proportion of employers agreeing that “weaknesses in leadership and management skills in the UK are holding back company growth”

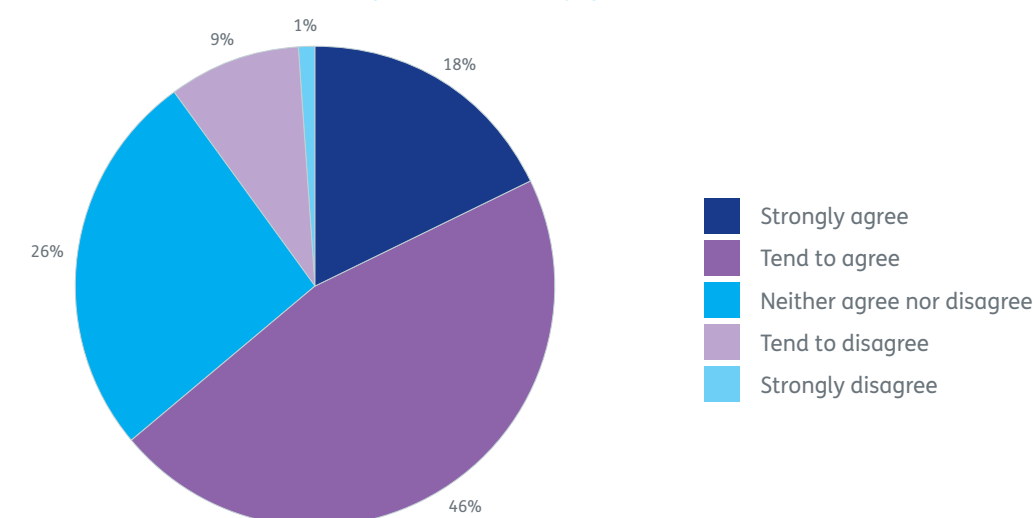
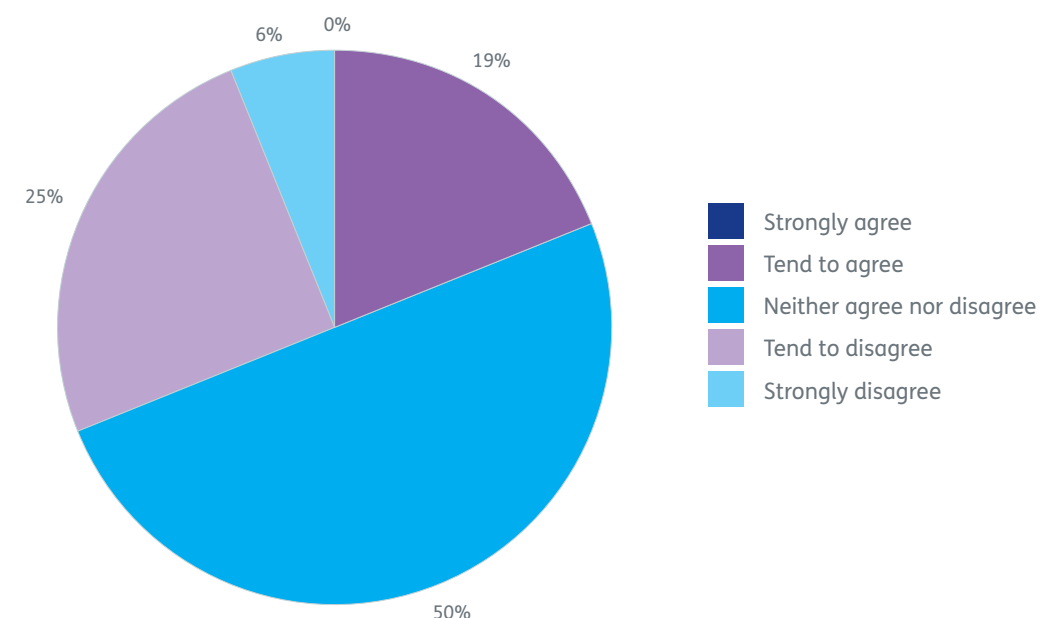
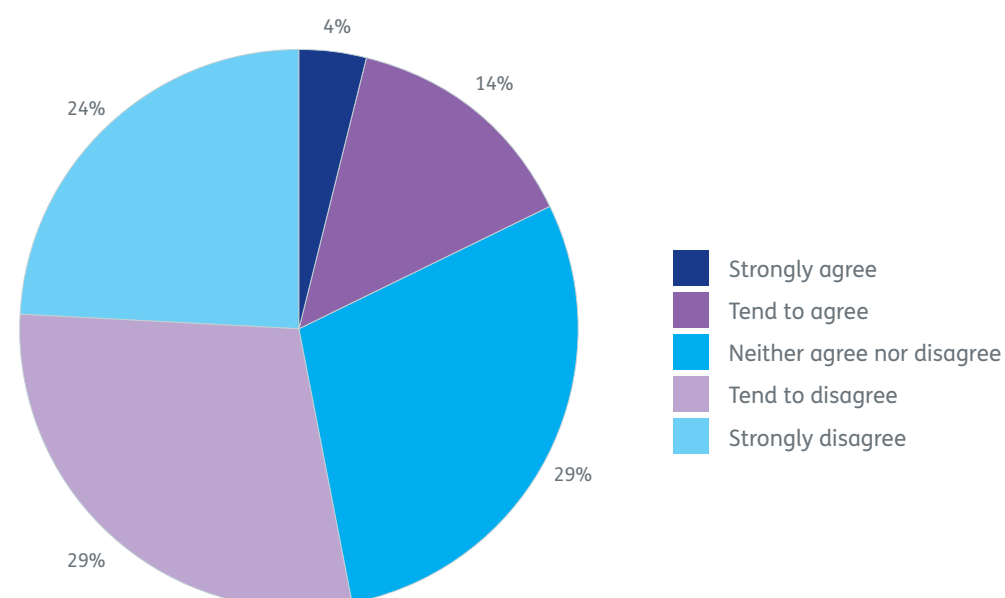


Figure 13: Proportion of employers agreeing with the statement “weaknesses in leadership and management skills in the UK are preventing employees from reaching their full potential”



We also asked employees whether they felt that “a lack of leadership and management training is holding me back in my career”. The picture here was quite different to the response from employers, with only 18 per cent agreeing with this statement and 53 per cent disagreeing (29 per cent had no opinion). This might reflect the fact the sample is relatively highly qualified.

Figure 14: Proportion of employees agreeing with the statement “a lack of leadership and management training is holding me back in my career”



### Organisational benefits of development of leadership and management skills

A number of researchers have examined the benefits of developing leadership and management skills to organisations. For example, Meliou and Kennard (2012) undertook 41 face-to-face interviews with key stakeholders of businesses in Wales in order to investigate the impact of well-trained leaders and managers on organisations. They found leadership and management development was viewed as positive, beneficial and strategically important and would continue even in times of economic difficulties. They also found the availability of funding had a positive effect on the number of organisations deciding to take part in leadership and management development. At an organisational level the impacts of developing management skills were: an increase in employees’ willingness to participate in training programmes; an increase in staff retention and a consequent decrease in absence levels; and increased networking. Some interviewees also suggested there was a positive impact on financial performance.

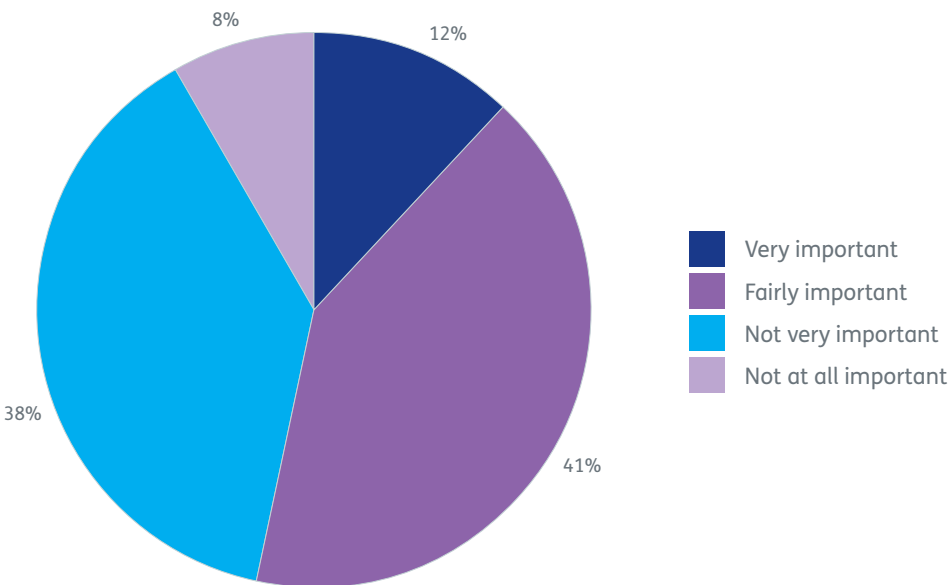
McBain et al (2012) found highly performing organisations reported higher levels of management effectiveness with 80 per cent of managers in high performing organisations reporting their line manager was effective or highly effective. They found a link between management development and employee engagement, as well as a direct link between management development and organisational performance. Similarly, BIS (2012b) suggested best practice management can result in a 23 per cent increase in organisational performance and can significantly improve levels of employee engagement. BIS concluded management skills are crucial to ensuring high performance working and business success, and suggested employers must take responsibility for ensuring managers’ skills and capabilities at all levels are effective.

Given the government’s focus in the skills policy area of extending vocational qualifications, especially Apprenticeships, it is interesting to examine to what extent management as a discipline features in those. There is no evidence of management as a compulsory element of Apprenticeships or NVQ qualifications outside the area of management itself. However, management does become more prominent as we go from level 2 to levels 3 and 4. For instance, the NVQ level 2 in customer service has no management units among the 50 or so available, whereas a handful of management related units begin to appear at level 3 and level 4 in the same subject. There is also a clue in the title of different qualifications. For example, level 2 in leisure is titled “leisure operations”, whereas “leisure management” beings to appear from level 3 onwards.

As a part of our survey research, we looked at employers’ and employees’ perceptions of the value of formal management training qualifications. Around half of employers (53 per cent) said formal management training qualifications were fairly important or very important. A marginally lower proportion (47 per cent) stated management qualifications were not very, or not at all, important. This suggests some ambivalence on the part of employers about the importance of formal qualifications, despite the evidence cited above.

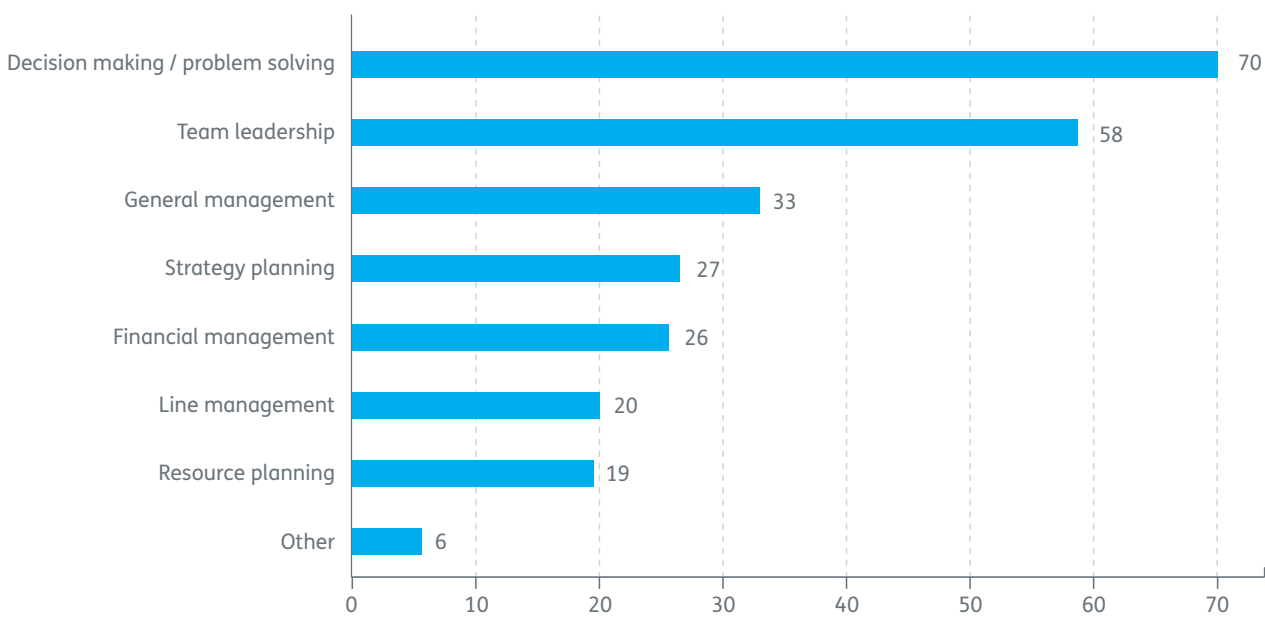


Figure 15: Importance of formal management training qualifications



We also asked employers which three aspects of management and leadership they saw as being most attractive to them. Decision making and problem solving were seen as important by the largest proportion of employers (70 per cent), compared with team leadership (58 per cent), general management (33 per cent), strategy planning (27 per cent), financial planning (26 per cent), line management (20 per cent) and resource planning (19 per cent).

Figure 16: Aspects of management and leadership seen as most important (per cent)



When we asked employers about the management training they provided (see figure 17) 60 per cent of respondents stated their company did not provide any management training to their employees. Twenty-nine per cent of respondents said their company provided management training internally but this did not result in a management qualification.





Figure 17: Management training provision (per cent)



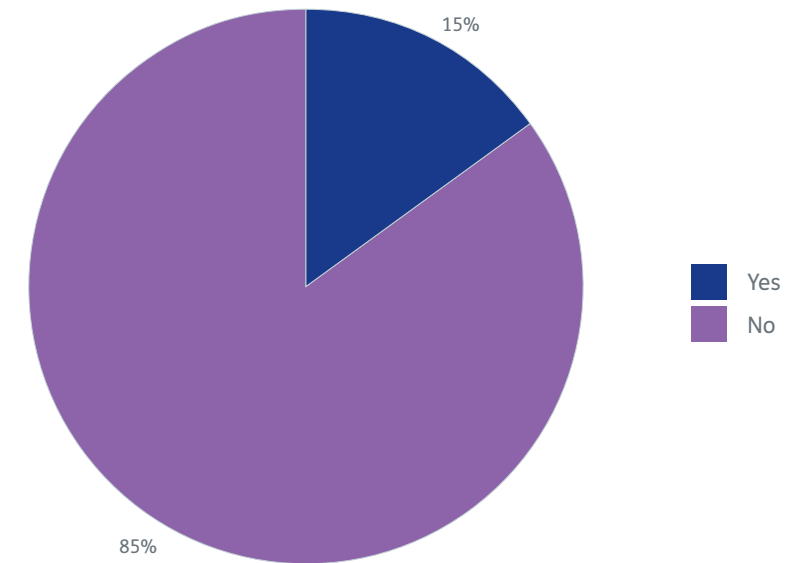
### Individual benefits of leadership and management skills/development

Some evidence also exists about the benefits of leadership and management training to individual employees. For example, Meliou and Kennard (2012) found at an individual level the impacts of developing management skills were: increase in confidence; increase in teamwork and collaboration; and an increase in individual responsibility and awareness of their roles. Bradley, Woodman and Hutchings (2013) undertook a survey of 1,185 CBI members and found 90 per cent of managers said a management qualification had improved their performance at work through: improved confidence and self-awareness; increased strategic awareness and awareness of the external environment; more effective decision making; and improved performance and change management. Eighty-five per cent said their qualification helped them to make lasting changes to the way they manage and direct. There was also evidence management

qualifications have a positive impact on motivation and productivity. It should be noted, however, that the majority of individuals in this research had undertaken an MBA rather than a vocational qualification.

Employees in our own sample were asked first whether they were aiming for a management position, and then about the amount of management training they had received. Half were already in a management position but, of those who were not, only 15 per cent were aiming for one.

Figure 18: Proportion of employees not already in a management position aiming for a management position



We can see from figures 19 and 20 below of the whole sample of employees, less than a third (30 per cent) had received management training from their current or a previous employer. If we focus on those who are in a management position, this rises to 41 per cent. Fifty-five per cent of respondents who were currently in a management position have not received any management training.

Figure 19: Proportion of employees that received management training from current or previous employer

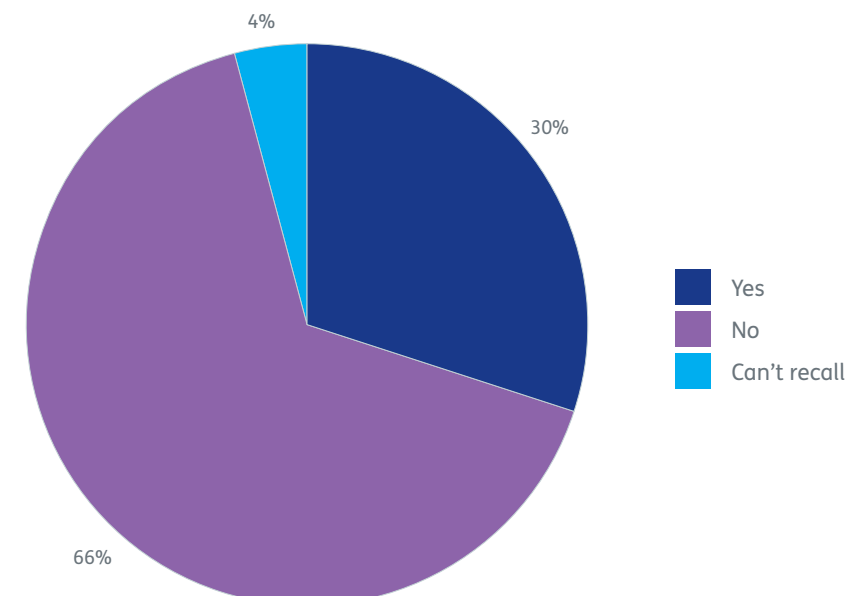


Figure 20: Proportion of employees (of those who are in a management position only) that received management training from current or previous employer

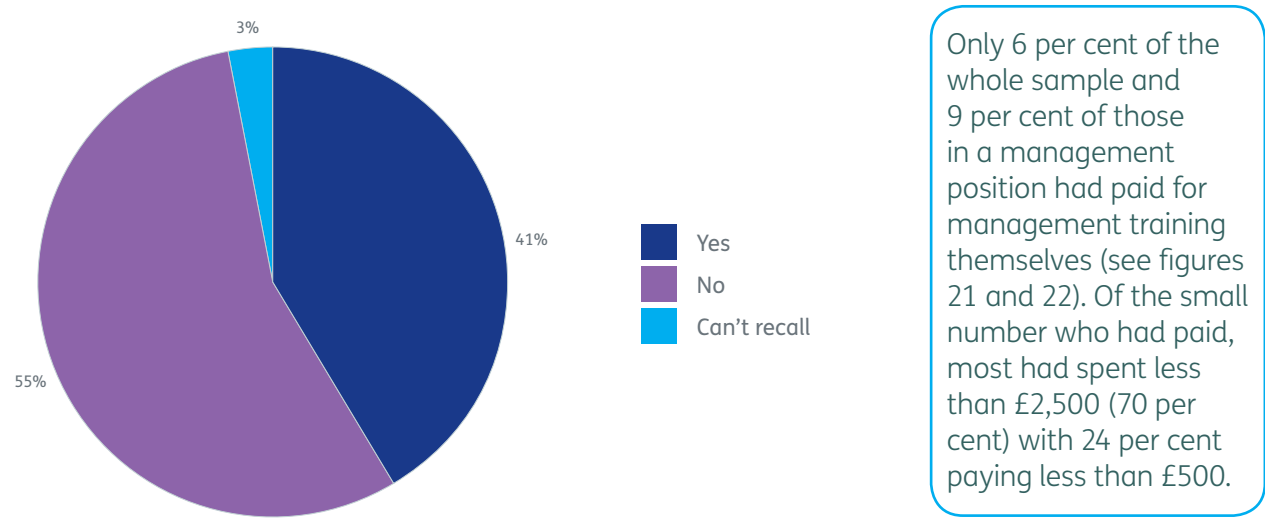


Figure 21: Proportion of employees who paid for management training themselves

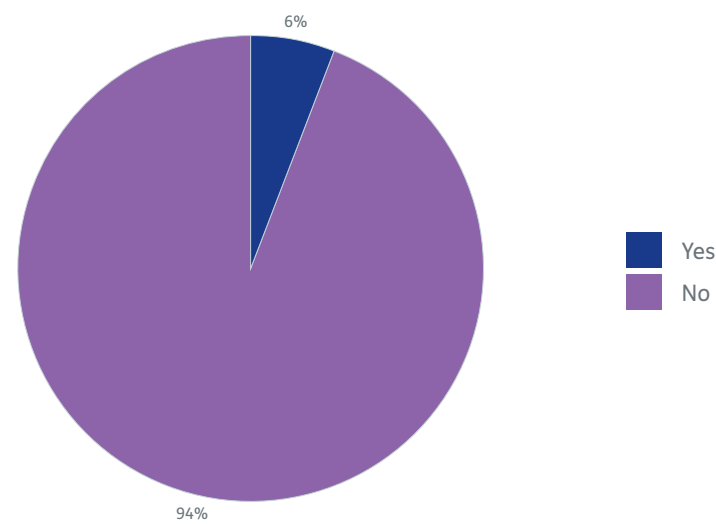


Figure 22: Proportion of employees (of those in management positions only) who paid for management training themselves

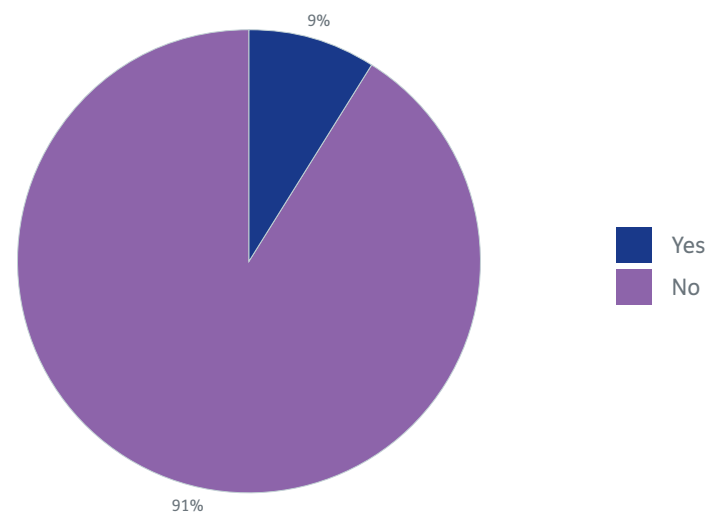
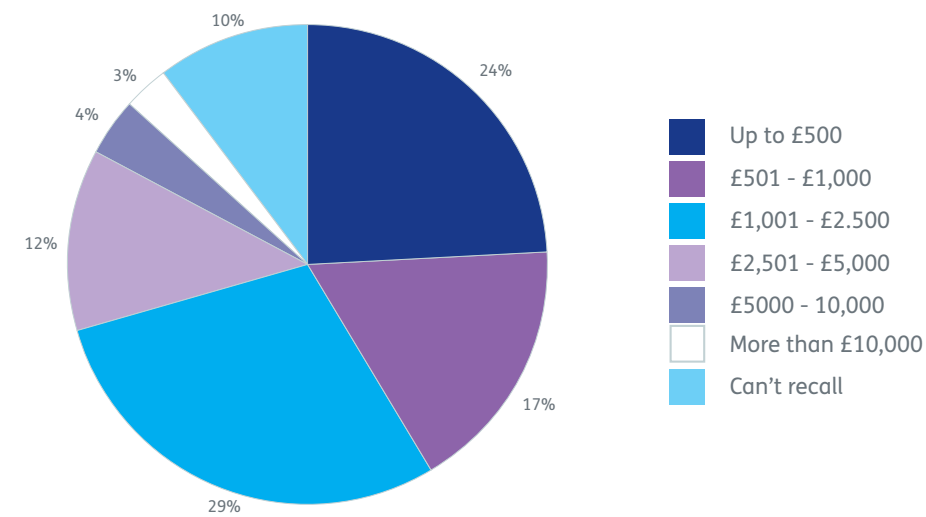
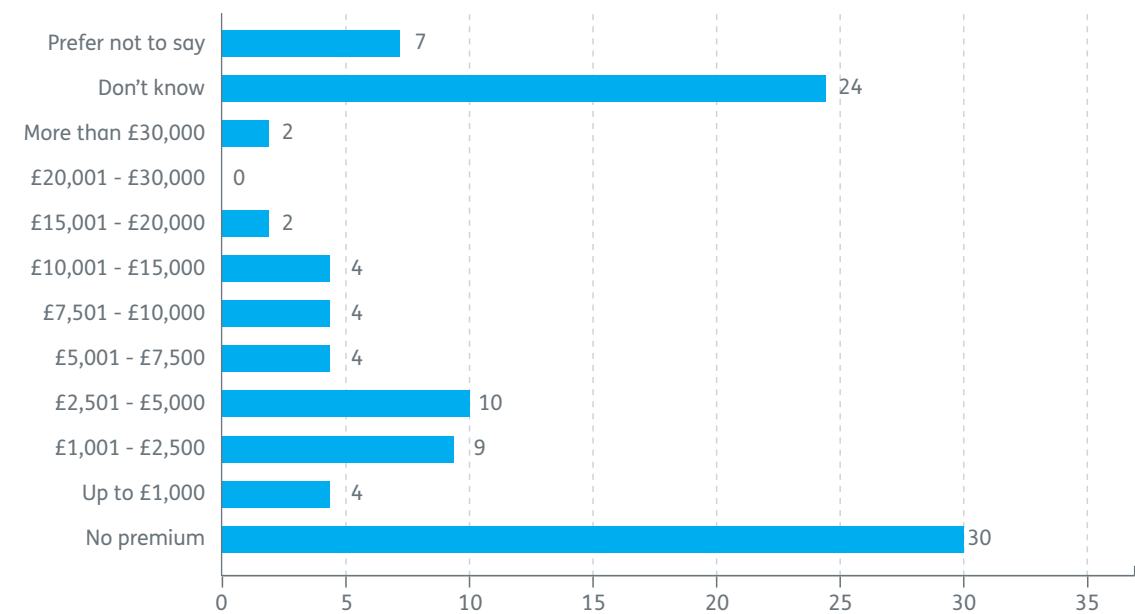


Figure 23: Amount paid for training (only in those who had paid themselves)



Finally, we asked employers whether there was a salary premium paid to those with a management qualification when recruiting. Less than a third (30 per cent) said there was no premium paid to those with a management qualification and only 40 per cent said or knew a premium was paid to those with a management qualification (see figure 24).

Figure 24: Premium paid to those with a management qualification (per cent)



# 5. Conclusions and recommendations

In summary, we can draw some interesting conclusions from this analysis. There is clear evidence of the value of vocational qualifications both with regard to earnings and employment prospects: these qualifications do have currency in the employment market. There is also some suggestion that supporting employees through higher qualifications might lead to improved productivity and performance at an organisational level, with some companies investing for future success. However, the employees in our sample do not seem to be motivated to undertake development leading to further qualifications – this is probably because they are already relatively well qualified (and in work). What is clear, given the government's commitment to promoting and funding Apprenticeships in particular, is businesses have an opportunity to really leverage both the development and implementation of vocational training. There are a number of ways they can do this:

1. Developing new Apprenticeship frameworks to ensure the skills which are important to them and the sector they operate in are fully reflected in the qualifications funded by government.
2. Considering how they can deploy the government's new policy of Advanced Learning Loans (see p13) -perhaps working with their staff to co-fund level 3 qualifications and using this as a route to aid retention by agreeing to pay off the loan after a certain period of time.

The evidence suggests management and leadership skills are essential in order to improve organisational and UK competitiveness. There appears to be a consensus such skills are lacking in the UK. Despite this, employers seem somewhat ambivalent in their perceptions of the value of management development and most employers do not offer such development internally to their employees.

It is important we challenge this ambivalence if the lack of management and leadership skills in the UK is to be tackled, benefitting both UK firms and the economy as a whole. We therefore make the following recommendations:

## 1. Improve the status of vocational education and training in the UK

If the UK is to compete successfully on a global scale, we need a vocational educational system which is on a par with the best in the world, with employers and individuals investing in the system confident they will reap the rewards. Our research shows employers still lack knowledge and understanding about vocational qualifications and therefore they do not understand the value of them to their business. In addition young people repeatedly tell us they don't know about the full range of vocational options available to them. Equalising the balance between academic and vocational routes has long been called for but this needs to start at the heart of government - it was recently reported for every one minute spent discussing vocational learning Parliamentarians

spent four minutes debating the academic route (City and Guilds, 2013). This over-emphasis on academic qualifications needs to change. To help achieve this shift we are calling for:

- a national government-led campaign aimed at employers, young people, parents and teachers, to promote the value of vocational education and training
- the new duty on schools to provide high quality information, advice and guidance to include the full range of vocational options, including Apprenticeships. The current funding system which incentivises some institutions to keep their students on the academic path, even when it is not always the best option for the individual,

needs to be removed and the focus placed on a broader set of destination measures

- employers to play a greater role in promoting the vocational route into a sector or job role by getting more involved with their local schools and offering high quality work experience placements. Opportunities to do this will become available, for example, through the introduction of Traineeships in August 2013
- employers who currently recruit mainly based on academic qualifications to change their recruitment practices to attract potential employees with good vocational qualifications – these qualifications may include elements of leadership and management and are more suited to the needs of employers
- a continuous and rigorous analysis of both the nation's skills and the projected labour market demand to ensure the government is funding the right Apprenticeship frameworks. For example: addressing the issue of ageing workforces, such as in the logistics industry, by developing suitable frameworks attractive to young people; or thinking through what frameworks need to be developed to reflect technological developments like the proliferation of apps or cloud computing.

## 2. Make leadership and management skills mandatory for all Apprenticeship frameworks at level 3 and above

There are now more opportunities than ever before for employers to get involved in the design and delivery of qualifications to ensure they better suit their needs. We believe this presents a great opportunity for employers of all sizes to take a critical look at Apprenticeship frameworks and their content, to ensure they are giving the workforce of the future the right skills at the right level.

As we have shown, good leadership and management is critical to organisations, even more so in times of economic uncertainty, to enable them to respond quickly to changes in

the marketplace. We believe there is a strong case to make leadership and management skills mandatory in all Apprenticeship frameworks at level 3 and above, particularly in sectors where there are recognised skills gaps at management level.

This not only creates a progression route for the individual, but frees up lower level jobs for young people and those seeking work. The number of entry level jobs is rapidly declining so vocational pathways which enable individuals to progress within a job role or industry are crucial in addressing job sustainability and skills gaps within the UK workforce.

## 3. BIS to work with industry bodies to improve UK management

As training budgets are increasingly under pressure, employers need clearer messages about the value of investing in leadership and management training. It is reported businesses perform 23 per cent better when they invest in developing their managers and leaders (CMI, 2013). Greater use of technology, particularly online learning, on-demand, in the workplace, can also bring further efficiencies for employers.

Whilst the government has put in place some support for employers, for example through the Ownership of Skills pilot and the Growth and Innovation Fund, we believe the Department for Business, Innovation and Skills should work more closely with employer bodies such as the CBI, BCC, and training providers, to explore opportunities to improve management skills in the UK. We also believe the government should lead by example and recognise the importance of developing good management skills at all levels, and not something just for senior managers. Indeed, we believe new ministers, and their shadows, should receive management training to ensure they are as effective as they can be from the moment they enter their departments.



# 6. About the author

Dr Emma Parry is a Reader in Human Resource Management at Cranfield School of Management and a Visiting Fellow at Westminster Business School. Emma’s research interests focus on the impact of contextual factors on human resource management (HRM) and talent management, specifically the impact of national context and sector in shaping HRM and the impact of demographic and technological change.

Emma leads a number of global research projects. She manages Cranet, a worldwide network of more than 40 business schools which conducts comparative research into HRM. She is a Director of 5C, a global research project conducted with academics from around 30 institutions around the world, examining cultural differences in attitudes towards careers. Emma is a UK representative on the global team for the Center of Aging and Work at Boston College, USA. Emma has conducted a wide range of research on HRM and talent management for a number of clients, including the Ministry of Defence, Department for Work and Pensions, National Health Service, Chartered Institute of Personnel and Development and several private sector organisations.

Emma is the co-editor of the books Managing an Age-Diverse Workforce and Global Trends in HRM (both from Palgrave Macmillan). She consistently produces high quality research, which is published in journals of recognised international excellence. She regularly speaks at academic conferences and maintains an extensive network of leading UK and international scholars. She is also Associate Editor for the International Journal of Human Resource Management.



Dr Emma Parry  
Reader in Human Resources Management  
Cranfield School of Management

# 7. Appendix

Entry level	<p>This is similar to having:</p> <ul style="list-style-type: none"><li>• 1 GCSE below grade G</li><li>• Award or Certificate (QCF) at Entry Level</li><li>• Functional Skills at Entry Level</li><li>• Foundation learning at Entry Level</li></ul>
Level 1	<p>This is similar to having a GCSE at grades D–G.</p> <p>And also:</p> <ul style="list-style-type: none"><li>• NVQ: Award, Certificate or Diploma (QCF) at Level 1</li><li>• GNVQ Foundation</li><li>• Key Skills at Level 1</li><li>• Functional Skills at Level 1</li></ul>
Level 2	<p>This is similar to having a GCSE at grades A*–C.</p> <p>And also:</p> <ul style="list-style-type: none"><li>• NVQ: Award, Certificate or Diploma (QCF) at Level 2</li><li>• GNVQ Intermediate</li><li>• Key Skills at Level 2</li></ul>
Level 3	<p>This is similar to an A or AS level.</p> <p>And also:</p> <ul style="list-style-type: none"><li>• NVQ: Award, Certificate or Diploma (QCF) at Level 3</li><li>• GNVQ Advanced</li><li>• Key Skills at Level 3</li></ul>
Level 4	<p>This is similar to:</p> <ul style="list-style-type: none"><li>• NVQ: Award, Certificate or Diploma (QCF) at Level 4</li><li>• Key Skills at Level 4</li><li>• Certificates of higher education</li></ul>
Level 5	<p>This is similar to a foundation degree.</p> <p>And also:</p> <ul style="list-style-type: none"><li>• Higher national diplomas (HNDs)</li><li>• Other higher diplomas</li><li>• BTEC Professional Diplomas, Certificates and Awards</li><li>• Diplomas of higher education and further education</li></ul>

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